IFS Green Budget 2018
Risks to the UK Public Finances

Thomas Pope, Institute for Fiscal Studies
The latest plans for borrowing

Notes and Sources: See Figure 3.1 of the IFS Green Budget

Risks to the UK public finances © Institute for Fiscal Studies
Borrowing last year lower than successive forecasts

Successive forecasts for 2017–18 borrowing

<table>
<thead>
<tr>
<th>Year</th>
<th>Forecast (£ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2016</td>
<td>38.8</td>
</tr>
<tr>
<td>November 2016</td>
<td>59.0</td>
</tr>
<tr>
<td>March 2017</td>
<td>58.3</td>
</tr>
<tr>
<td>November 2017</td>
<td>49.9</td>
</tr>
<tr>
<td>March 2018</td>
<td>45.2</td>
</tr>
<tr>
<td>Latest outturn</td>
<td>39.9</td>
</tr>
</tbody>
</table>

Notes and Sources: See Figure 3.2 of the IFS Green Budget
The latest plans for borrowing

Notes and Sources: See Figure 3.1 of the IFS Green Budget

Risks to the UK public finances © Institute for Fiscal Studies
An improvement to the forecast?

Possible £5 billion lower borrowing this year
Possible £6 billion lower borrowing in 2022–23

Notes and Sources: See Figure 3.14 of the IFS Green Budget
Debt is high and falling slowly

Public sector net debt

Public sector net debt excluding Bank of England

Notes and Sources: See Figure 3.6 of the IFS Green Budget
Debt is high and falling slowly

Even though the deficit is low

- In 2022–23 deficit of 0.9% of national income but debt falling by only 0.3% of national income
- In 1990–91 deficit of same level but debt fell by 1.4% of national income

Growth is set to be sluggish

- Only 1.5% in 2022–23 – pre-crisis average was 2.7%, average of other forecasters 1.9%
- If growth in line with pre-crisis average, debt would be 4% of national income lower in 2022–23

Student loan accounting flatters the headline deficit measure

- In 2022–23, accounting flatters borrowing by around £15 billion
Debt falls much faster with no deficit

2018–19 deficit (1.8% of national income)

No deficit

Still over 70% of GDP in 2040

Still over 50% of GDP in 2040

Notes and Sources: See Figure 3.8 of the IFS Green Budget

Risks to the UK public finances © Institute for Fiscal Studies
Running current deficit levels in ‘good times’ may not be sustainable in the longer term

Notes and Sources: See Figure 3.9 of the IFS Green Budget
Summary

Contrary to recent forecasts, deficit is back to its pre-crisis level

But there is more consolidation to come

A small downwards revision to borrowing of around £6 billion is likely in the Budget

• Modest relative to the amount of uncertainty in the economy

Debt is still much higher than pre-crisis levels

• Set to fall only slowly

Given likely impact of future recessions, good reasons to target a deficit below current level in ‘good times’ at some point